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CORPORATION FILE

Annual Report

1950

Forty-Sixth Year



NATIONAL TOOL COMPANY

CLEVELAND, OHIO

DIRECTORS

HARRY W. BARKLEY	- - - - -	Cleveland, Ohio
President, National Tool Company		
GEORGE O. DESAUTELS	- - - - -	Indianapolis, Indiana
President, George O. Desautels Company		
FRED V. GARDNER	- - - - -	Milwaukee, Wisconsin
Senior Partner, Fred V. Gardner & Associates		
LEWIS F. JUBENVILLE	- - - - -	Orchard Lake, Michigan
Vice President, National Tool Company		
SAMUEL J. KORNHAUSER	- - - - -	Cleveland, Ohio
Counselor at Law		
J. VICTOR LOEWI	- - - - -	Milwaukee, Wisconsin
President, Loewi & Company		
JOHN S. PEARSON	- - - - -	New York City
Dobbs & Company		

EXECUTIVE COMMITTEE

HARRY W. BARKLEY, Chairman

L. F. JUBENVILLE

J. VICTOR LOEWI

OFFICERS

HARRY W. BARKLEY	- - - - -	Cleveland, Ohio
President and General Manager		
LEWIS F. JUBENVILLE	- - - - -	Orchard Lake, Michigan
Vice President		
ARTHUR T. WEST	- - - - -	Cleveland, Ohio
Secretary and Treasurer		
LEWIS M. SHAFER	- - - - -	Cleveland, Ohio
Assistant Secretary and Assistant Treasurer		

REGISTRAR OF STOCK

CENTRAL NATIONAL BANK, Cleveland, Ohio

TRANSFER AGENT OF STOCK

CENTRAL NATIONAL BANK, Cleveland, Ohio

INDEPENDENT AUDITORS

HASKINS & SELLS

The Annual Meeting of Stockholders will be held on April 24, 1951. Notice of the Meeting and Proxy Form will be mailed to each holder of Common Stock on or about April 2, 1951.

TO THE STOCKHOLDERS AND EMPLOYEES OF NATIONAL TOOL COMPANY

Net Sales in the year 1950 were \$3,137,290, about thirty-two per cent greater than those in 1949. The major part of this volume consisted of the Company's principal product, Special Cutting Tools, and the Pocket Comparator, an optical measuring instrument distributed exclusively by National Tool Company. Most of the increase in sales volume occurred in the third and fourth quarters of the year.

Net income for 1950 was \$168,860, representing seventy-five cents per share on the 223,966 shares outstanding. By comparison, on the 229,591 shares outstanding in 1949, the net income was forty-one cents per share. In 1950 thirty cents per share in dividends was paid to more than 1100 stockholders.

The financial position, as set forth in the accompanying balance sheet, is the strongest in the history of National Tool Company. Working capital at the end of the year was \$774,165, and the ratio of current assets to current liabilities was over two to one. While the Work in Process and Finished Goods inventories of \$501,343 increased \$346,591 over the previous year, the addition resulted from current, non-cancellable orders involving little credit risk. The Company manufactures no standard or stock items. Two banks have extended current borrowing privileges considered ample for any anticipated working capital needs. During the year, National Tool Company reacquired 5625 shares of its own stock.

National Tool Company's backlog of unfilled orders presently is over \$3,200,000, compared with a backlog of \$389,000 at this time last year. A \$1,100,000 sub-contract order for government defense parts now in process is scheduled for completion in the second quarter of this year. In addition, the Company has recently contracted to build machines for a highly reputable machine tool manufacturer. On this order, valued at \$890,000, initial shipments should start early in the third quarter. Work on these orders is done in the Company's machine shop, and will in no way affect capacity to produce the principal product, Special Cutting Tools. The machine shop, heretofore, has been used mainly for factory maintenance, and the building of machines and equipment for the Company's own use.

Insurance, hospitalization and medical benefits, the cost of which is borne by the Company, plus a general wage increase, were granted to employees during the year. It is believed that employees' compensation compares favorably with prevailing standards in the special cutting tool industry. The Management is pleased to acknowledge that the cooperation and loyalty of the employees contributed to the year's achievements.

Special cutting tools are a pre-requisite to the production of most of the country's required military equipment, so largely composed of metals. It is not expected that National Tool Company will experience any lag in transition to defense production. The same equipment, personnel and technique employed in making special cutting tools for civilian commodities can be applied to making tools for defense purposes. Although there have been some changes in the alloy content of high speed steel, the Company's principal raw material, it is not expected that there will be any shortage of steel for cutting tools.

The increase in sales for the year 1950, and the present high rate of shipments, result primarily from the plant expansion and modernization program started in 1946. The improvements made have enabled the Company to keep pace with technological developments in the metal working industry, and to supply many types of special cutting tools in quantities heretofore considered beyond its capacity. Meanwhile, the Company continues to follow a program of research and development of both products and methods. National Tool Company's policy of concentration on engineering, quality and service, yet maintaining reasonable prices for its products, has enabled it to strengthen further its competitive position during the year.

For the Board of Directors

HARRY W. BARKLEY

President

March 6, 1951

NATIONAL TO BALANC

DECEMBER 31,

ASSETS	... DECEMBER 31 ...	
	1950	1949
CURRENT ASSETS:		
Cash.....	\$ 113,438	\$ 117,135
United States Treasury Securities at cost, and accrued interest.....		300,725
Accounts receivable:		
Trade (less reserve for doubtful accounts of \$6,866 for 1950).....	402,255	192,999
Other.....	14,694	3,530
Inventories—at lower of cost or market:		
Finished and in-process products (less reserve for obsolescence of \$3,000 for 1950).....	501,343	154,752
Raw materials and supplies.....	293,787	186,611
Total current assets.....	<u>\$1,325,517</u>	<u>\$ 955,752</u>
MUTUAL INSURANCE DEPOSITS (NET) AND OTHER NON-CURRENT RECEIVABLES	\$ 21,879	\$ 15,765
PROPERTY, PLANT, AND EQUIPMENT:		
Land.....	\$ 39,104	\$ 39,104
Buildings.....	274,904	274,904
Machinery and equipment.....	826,618	770,502
Total	<u>\$1,140,626</u>	<u>\$1,084,510</u>
Less reserve for depreciation and amortization.....	590,296	538,636
Property, plant, and equipment—net.....	<u>\$ 550,330</u>	<u>\$ 545,874</u>
DEFERRED CHARGES:		
Deferred tool expense	\$ 59,247	\$ 26,833
Other.....	16,283	13,720
Total.....	<u>\$ 75,530</u>	<u>\$ 40,553</u>
TOTAL.....	<u>\$1,973,256</u>	<u>\$1,557,944</u>

NOTES:

1. Ten thousand shares of unissued capital stock by an officer of the Company until April 1, 1950, at \$5 a share and \$5 a share for the additional five shares.
2. The terms of the 4 3/8% mortgage payable to the holders which would reduce the Company's debt without the consent of the holder. At December 31, 1949, the balance of the mortgage was \$1,000,000. Retained For Use In The Business) was \$

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E SHEET

1950 AND 1949

LIABILITIES	... DECEMBER 31 ...	
	1950	1949
CURRENT LIABILITIES:		
Note payable to bank.....	\$ 100,000	
Current portion of mortgage payable.....	25,000	\$ 25,000
Accounts payable:		
Trade.....	155,264	57,270
Other.....	42,206	3,422
Accruals:		
Federal taxes based on income.....	130,000	54,500
Other taxes	15,042	10,816
Salaries, wages, and commissions.....	79,656	37,919
Miscellaneous.....	4,184	3,772
Total current liabilities.....	\$ 551,352	\$ 192,699
MORTGAGE PAYABLE, 4 $\frac{3}{8}$ %, DUE IN ANNUAL INSTAL- MENTS OF \$25,000 EACH BEGINNING JULY 1, 1952 (1951 instalment included in current liabilities).....	\$ 200,000	\$ 225,000
CAPITAL INVESTMENT AND EARNINGS RETAINED FOR USE IN THE BUSINESS:		
Common capital stock, authorized, 600,000 shares of \$1 par value each; issued and outstanding, 229,591 shares—see Note 1.....	\$ 229,591	\$ 229,591
Excess of paid-in capital over amount assigned to capital stock (no change during the year).....	136,916	136,916
Earnings since January 1, 1940 retained for use in business (\$724,295 restricted—see Note 2).....	875,172	773,738
Total	\$1,241,679	\$1,140,245
Less treasury stock, 5,625 shares at cost.....	19,775	
Net capital investment, etc.....	\$1,221,904	\$1,140,245
TOTAL.....	\$1,973,256	\$1,557,944

of the Company are subject to a purchase option
1955 at a price of \$4 a share for the first five thousand
e thousand shares.

provide that dividends or other distribution to stock-
s surplus at December 31, 1948 shall not be paid
nber 31, 1950 the amount of such surplus (Earnings
724,295.

NATIONAL TOOL COMPANY

STATEMENT OF INCOME AND EARNINGS RETAINED FOR USE IN THE BUSINESS

For the Years Ended December 31, 1950 and 1949

	YEAR ENDED DEC. 31	
	1950	1949
SALES AND OTHER INCOME:		
Net sales.....	\$3,137,290	\$2,377,964
Other income.....	8,451	4,457
Total	\$3,145,741	\$2,382,421
LESS:		
Cost of goods sold (including depreciation of \$60,081 for 1950, \$62,605 for 1949).....	\$2,338,312	\$1,853,144
Selling, general, and administrative expenses.....	496,144	373,479
Interest and debt expense.....	12,425	6,377
Total	\$2,846,881	\$2,233,000
NET INCOME BEFORE PROVISION FOR FEDERAL TAXES ON INCOME.....	\$ 298,860	\$ 149,421
PROVISION FOR FEDERAL TAXES ON INCOME.....	130,000	54,060
NET INCOME.....	\$ 168,860	\$ 95,361
EARNINGS SINCE JANUARY 1, 1940 RETAINED FOR USE IN THE BUSINESS, JANUARY 1.....	773,738	724,295
Total	\$ 942,598	\$ 819,656
LESS DIVIDENDS PAID.....	67,426	45,918
EARNINGS SINCE JANUARY 1, 1940 RETAINED FOR USE IN THE BUSINESS, DECEMBER 31.....	\$ 875,172	\$ 773,738

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TERMINAL TOWER
CLEVELAND, 13

ACCOUNTANTS' CERTIFICATE

National Tool Company:

We have examined the balance sheet of National Tool Company as of December 31, 1950 and the related statement of income and earnings retained for use in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and earnings retained for use in the business present fairly the financial position of the Company at December 31, 1950 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

March 2, 1951.

NATIONAL TOOL COMPANY

SALES OFFICES

JOSEPH B. CLOUGH

Director of Sales

HARRY M. MINOR

Sales Manager

AKRON, OHIO
D. G. McMillan

BOSTON, MASSACHUSETTS
Harold L. Henchey

CHARLOTTE, NORTH CAROLINA
Apex Machine Tool Supply

CHICAGO, ILLINOIS
N. W. Dorr Co.

CLEVELAND, OHIO
G. W. Davis
J. W. McIntyre

DAYTON, OHIO
R. B. Nuckols

DETROIT, MICHIGAN
E. G. Hardig

ERIE, PENNSYLVANIA
Tri-State Machinery Co.

FORT WAYNE, INDIANA
George O. Desautels Co.

GRAND RAPIDS, MICHIGAN
George B. Nelson

NORWALK, CONNECTICUT
K. Herbert Lenk

HOUSTON, TEXAS
Schuller-Wright Supply Co.

INDIANAPOLIS, INDIANA
George O. Desautels Co.

LOS ANGELES, CALIFORNIA
Burgan Machinery Co.

MEMPHIS, TENNESSEE
Bud Watts Machinery Co.

MILWAUKEE, WISCONSIN
Wisconsin Tool & Machine Co.

MUNCIE, INDIANA
George O. Desautels Co.

MINNEAPOLIS, MINNESOTA
Walter R. Hammond Co.

MOLINE, ILLINOIS
John J. Normoyle Co.

NEWARK, NEW JERSEY
H. Wilson Ryno

OMAHA, NEBRASKA
McDonough Machinery &
Supply Co.

PHILADELPHIA, PENNSYLVANIA
Norman E. Wilhelmy

PITTSBURGH, PENNSYLVANIA
Tri-State Machinery Co.

SAN FRANCISCO, CALIFORNIA
Burgan Machinery Co.

ST. LOUIS, MISSOURI
Ben H. Gerker

SYRACUSE, NEW YORK
Austin Ford Logan

SAGINAW, MICHIGAN
Mahar Tool Supply Co.

TOLEDO, OHIO
Fred C. Ahrendt

TULSA, OKLAHOMA
Martin Supply Co.

EXPORT AGENTS

A. V. E. TRADING CORP.
OF NEW YORK, NEW YORK
Belgium, Switzerland, Italy,
France

CANADA
Rudel Machinery Co. Ltd.
Offices in Montreal,
Toronto, Vancouver and Windsor

PRODUCTION PARTS

FORT WAYNE, INDIANA
W. E. McGahey

Some of the many types of Special Cutting
Tools made by National Tool Company

